

PUBLIC HEARING
LONG ISLAND POWER AUTHORITY
LEGISLATIVE OVERSIGHT COMMITTEE
VERBATIM MINUTES

A Special Meeting of the LIPA Oversight Committee of the Suffolk County Legislature was held at the Babylon Village Annex, Phelps Lane, Babylon, New York on September 12, 2011 at 7:00 P.M.

MEMBERS PRESENT:

Matthew C. Cordaro, Co-Chair/Electric Utility Expert
Sheldon R. Sackstein, Co-Chair/Energy Expert
Peter G. Schlussler, Electric Utility Expert
Irving Like, Esq., Energy Expert
Joseph Schroeder, Energy Expert/Suffolk County Legislature
Fred Gorman, Nesconset Sachem Civic Organization

ALSO IN ATTENDANCE:

Legislator Wayne R. Horsley, Fourteenth District
Legislator Steven H. Stern, Sixteenth District
Bryan Galgano, Aide to Leg. Stern
Robert Shand, Business Manager/Financial Secretary/Local Union 1049
Charles A. Hersh
Alice T. Cone, Belmont Lake Civic Association
Michael Whalen
Patrick Guidier
Don Daley, Jr.
Jim Cooper
Ed Conklin
Thomas Devlin
Wm. Roulette
Rep. John J. Carney for Angie Carpenter, County Treasurer
Charles Doyle
Robin Rodriguez
Connie Fritzlo
Anthony Scotto
Pierce Brennan
Ellen Redmond
Walter Hora
And all other interested parties

MINUTES TAKEN BY:

Diana Flesher, Court Stenographer

THE MEETING WAS CALLED TO ORDER AT 7:13 PM

MR. CORDARO:

Okay, I think we can get started now. I think the first order of the business is the pledge of allegiance so please stand. The flag's over here.

SALUTATION

Thank you and welcome on this somewhat warm evening. But you'll miss this in a few weeks, I guess. Maybe by the end of the week we'll be missing this.

My name is Matthew Cordaro and I'm co-chairman of the LIPA Oversight Committee. We'll just go quickly down this row and each of the committee members will introduce themselves.

MR. SCHROEDER:

Joe Schroeder, Suffolk County Legislature.

MR. LIKE:

Irving Like, the oldest guy in the room.

MR. SCHLUSSLER:

Peter Schussler.

MR. CORDARO:

No title?

MR. SACKSTEIN:

Shelly Sackstein, co-chair of the committee.

MR. GORMAN:

Fred Gorman, no title.

MR. CORDARO:

Thank you. I want to thank you all for showing up this evening. Obviously there's a lot of interest in the topic. That is our prime subject area. There was a notice of a meeting which listed a number of things that we had been looking at relative to LIPA. Obviously there's one other thing to add to the agenda with the recent hurricane that took place and the storm response. I think that's another area that's ripe for discussion anyway, the pros and cons.

So we can add that to the list. Plus we don't want to inhibit anyone from saying anything relative to their views on LIPA or information they can provide about LIPA operations and LIPA activities.

We'll try to -- we would ask you to hold your remarks down to a few minutes or thereabouts. We're not going to try to cut anybody off. But just so everyone has enough time to be able to say what they need to say. This is really not a question and answer type format. We're going to comment on a very limited basis, mostly perhaps to ask for clarifications to issues that have been brought up or questions of that general nature.

I think before we start, I want to ask are there any public officials in the room? I don't see any. Okay. Because it's been a custom of ours to usually allow the public officials to speak first. And this is our second public hearing by the way. We intend on holding at least one more and maybe even one beyond that. I think it's a very critical time in the history of LIPA. LIPA's got a very aggressive -- aggressive schedule before it, to make some major decisions. And so we want to get

as much input from the public before those decisions take place. So that we -- we also have input into our committee's deliberations and positions on a number of these issues.

With that, let's start to take comments from the public. There is a court reporter up here so please be cognizant of the fact that you have to speak into that microphone. That is the -- where the remarks or comments will be delivered. And please be conscious of the fact that the reporter is trying to record your remarks.

With that, I don't have the sheet before me. Shelly does. You want to call the first speaker, Shelly?

MR. SACKSTEIN:

I would like to invite Robert Shand from 1049 to come to the podium. We only have one mic.

MR. SHAND:

Good evening. My name is Bob Shand. I'm the business manager IBW Local 1049. And I represent 3500 men and women who live on Long Island. We're your friends and neighbors. And they were the people that just were out doing that terrific job on storm response. Went out in the field every day. I heard about the hearing. I saw the flier for the hearing and I thought one of the main topics of tonight was going to be the storm response.

First, I'd like to say the people that are here from Long Island, that we very much appreciate the patience and support we got from Long Islanders during the storm. I know there was a lot of outcry. I know there was a lot of people frustrated and angry. But in speaking to my members, the very large majority of our three million friends and neighbors who live here, the million customers, they're very supportive of our efforts. And that's very much appreciated.

I also thought the public officials for the most part did a real good job in holding off and doing their investigation after the storm. There was some comments during the storm that in some cases made it a little difficult. But I think for the most part we were treated fairly. I think an examination of a storm or an event like we just had is always useful and purposeful. And I think this Committee's doing the right thing by giving people an opportunity to speak.

I think everybody needs to know what we go through, what the workforce goes through, the physical workforce, the technical, the clerical work goes through in an event like this. Shortly before the storm came around, Thursday, all vacations were canceled, whether you had trips abroad, no matter where you were going with your family. Everybody was told they need to stay home and put their efforts to the storm. That's the right way to do it. We're very proud of what we do for Long Island. We're very grateful that we have an opportunity to serve Long Island the way we do.

All vacations were cancelled. The men and women that I represent and an additional thousand high voltage linemen who came in from out of state, another thousand tree trimmers who came in from out of state, all came on to serve Long Island public. They did their 16 hours a day, around the clock for seven, eight days. Actually they were doing it up until this weekend. So they served six or seven days, 16-hour shifts, trying to get the system back into shape where it could best serve Long Island. Many of the people came from Allstate, slept on cots in gymnasiums; very difficult to do. A lot of my members were going home, their lights were out just like the public's lights were out. 16-hours shift; by the time you get home, jump in a quick shower, you're getting maybe four or five hours sleep at most, back to work.

Some of the things that were accomplished I also need to say there was a lot of discussion about communications during the storm. My ladies, the men and women who worked in the call centers, answered almost a million calls, working around the clock, seven days a week, 16 hours a day

during this unfortunate event. I know from the statistics that there was a call out for 6,000 linemen from up and down the east coast during this event; very tough to get. We had a thousand come in. I'm sure they would have loved to have 2000 come in. But the people that were here, the people that did respond, put up over 100 miles of wire, thousand poles were issued, thousand transformers, million calls answered.

Previous to this event we have had for years and years the best times for restoring people to service when there is an interruption and the best frequency without interruptions of any utility in New York State. I'm very proud of what was accomplished. I know it was a difficult time. But I want to appear before the Committee tonight to see if I can be of any aid and answer any questions you may have about my perspective on the storm.

With that I'll close and thank you for the opportunity.

MR. GORMAN:

Can I ask you a question?

MR. SHAND:

Sure.

MR. GORMAN:

Actually I have two. Do you know exactly how many people were out?

MR. SHAND:

528,000 was the reported number I believe.

MR. GORMAN:

Okay. So that's just under 50%, like --

MR. SHAND:

523,000.

MR. GORMAN:

Yes, that would be like 48, 47% of our customers. Of your customers?

MR. SHAND:

I would say about -- think it's a million so somewhere around 50 percent, sure.

MR. GORMAN:

Sure. That's what I'm saying. And secondly, do you feel that we could have been better prepared? Now I'm not talking about the workers. What I'm talking about is should we have been more aggressive perhaps in trimming, venting trees, doing things like that to limit damage before it happens? Do you feel that -- I'm just asking whether or not in your opinion it would have been wise to have been prepared like that? Or you think that what they did was -- I'm talking from a management point of view is just fine.

MR. SHAND:

Leading up to the storm?

MR. GORMAN:

Yes.

MR. SHAND:

I have -- I represent around 180 tree trimmers. About 200. We had about 180 on the property for the last six or seven years. I don't know what's considered an aggressive schedule or non-aggressive schedule as far as trimming goes. But I know the number hasn't dipped. We had about 180, 200 tree trimmers on the property actively trimming trees for the last -- I don't know, five to ten years. So that number hasn't gone down.

Were we prepared? We drill all year. We have the opportunity to do storm restoration drills, storm restoration training. I don't know how you -- you prepare as best you can. I know last storm we had some conversation about should they have called in linemen sooner, later, what's the right time period to try to get people to the Island? Like I said, this time they were able to get a thousand people in. There was 7500 people working on the storm. And they say, I couldn't quote, but they say that that was the most people ever to respond to a storm on Long Island.

But as far as I can tell, being part of this process for 39 years, I'm part of the utility, twenty years full-time in the union. And as far as I can tell, we tried to prepare as best as possible for these events all the time.

MR. GORMAN:

So you answered my question. I just wanted to know if you felt that the management response and the overall preparation for a hurricane, even though it was a tropical storm, everything that should have been done, was done. There was nothing really that -- you know, isn't a lack, where they're saying, you know what? We don't want you out doing this, we want you doing that. You're saying as far as you were concerned, all the trees that could be cut within reason were. I know that you also work with the Towns as respects responses to emergency positions and everything else. A lot of people are complaining, but I think a lot of the complaints are misunderstood. I know, for example, the people didn't come in on -- I understand they came in on Friday. They didn't come in the Wednesday before the storm.

MR. SHAND:

The people from out of Town or my own people?

MR. GORMAN:

From out of town.

MR. SHAND:

People from out of town, I don't think anybody got here on Wednesday. I think they started traveling -- in some cases we had linemen in from as far away from Mexico, Michigan, Ohio, Illinois, the whole Midwest we had -- most of the linemen came in from that area. So they left on Wednesday. The storm was supposed to hit Saturday, Sunday. So they were here in advance of the storm. They were -- they were all processed in and ready to go come Sunday.

What we need to remember is half the customers were out, over 500,000 people were out. Within two days we really couldn't fly any buckets, put any people in the air until sometime Monday, after Sunday night because the winds were still too high. And by sometime Tuesday 54% of the people were back. Those are pretty good numbers. I'm not exactly sure how many -- how many hundred thousand people you're supposed to put on a day. I don't know what the exact number is, but of course it depends on the damage, you know.

MR. GORMAN:

Right. I understand. I'm just -- all I simply said to you is, there's a lot of misnomers going out there about the job that was done. People who read the papers might have believed that these people got here Wednesday and were sitting around doing nothing 'til Sunday. I don't think that's the case from what I've heard from my own investigation, talking to people. And I only wanted to

know if you felt that management has really been responsive in maintaining the properties as safely as they can, keeping the trees vented. And I clearly hear you saying that in your opinion they've been the same job they've been doing year in and year out for the last ten, fifteen years.

MR. SHAND:

The same -- yes, the same number of people doing it that have kept the numbers, like I said the state rating number's where they are.

MR. GORMAN:

So then I have to agree with every statement that you made earlier about everybody did the best that they could. Because the only thing I think is really surprising is that it was a tropical storm and not even a hurricane. And it really knocked the crap out of us.

MR. SHAND:

Well, I can't respond to that other than it was awfully rainy and I've never seen so many trees come down like this.

MR. GORMAN:

I understand exactly what you're talking about. You know, it's a tropical storm but it did take down a lot of trees.

MR. SHAND:

Yes, it did.

MR. GORMAN:

Thank you.

MR. SACKSTEIN:

Bob, you know, I think there's an important distinction. I mean you guys, you been to all the meetings. You know how supportive I've been here and in the past to you and your people. There's no question about it.

MR. SHAND:

Very true.

MR. SACKSTEIN:

And I think we got to make it abundantly clear because you got three different players in this thing. You guys, you're out there, you got Grid and what they do and you got LIPA what they do. And certainly you guys are due a round of applause. How they manage you is a whole different story. And I think it's my considered opinion that there's a lots of folks who should take the heat. It could be Richard Kessel. It could be Kevin Law. It could be George Pataki. It could be perhaps even Governor Cuomo. The prior boards of LIPA of which I am -- I am a former member. There's a current board of LIPA. Why are we sitting there with 20-year-old emergency preparedness manuals to respond to a current event? It doesn't make sense.

Now I know we here at the Oversight Committee have asked for a longtime to look at the Emergency Preparedness Manuals because it just made sense. I was talking to some of the folks here tonight and they're saying when LILCO responded to Hurricane Gloria, that was a debacle. It really was. And when I went through those Emergency Preparedness Manuals, which are probably still the same ones, just a guess, could be wrong, I might have changed the dates. But those things were no good at that time because there were a lot of folks in there who had things like flashlight -- hand light duty, who I know personally had retired from the company ten years prior. So even then things went wrong.

So I say immediately we have to take a look at those Emergency Preparedness Manuals. We got to get on the same page. And I think it would be handy if you -- certainly like yourself, went through those manuals with us. Somebody who knows what has to happen just as well because I can't tell you, and in my mind I'm comfortable with, and I'll use the term very advisory because they had plans even though they lost the war, the British know all that much about what's going here on Long Island, I don't know. All right? And at the same time the folks at LIPA, the trustees and the management, they're not utility people. For the most part these are not utility people.

So there's going to have to be some major shift in how this game is played, I think, on a go forward basis. I don't mean game, but how this thing is structured and how's it run. And you and I have had conversations about that for a longtime. I just assume see your people working under your umbrella, managed by your people, working for LIPA and let's get the middleman out of the game and cut some of the profit out of the deal and let's get back in control. That's the way I think it's got to go. And you don't have to opine on that because I don't want to put you on the spot.

MR. SHAND:

I appreciate that.

MR. SACKSTEIN:

But, you know, practically speaking I think we got to make sure there's three players in this game. And you guys held up your part. I don't know where Grid went. Okay? And I'm not so sure where LIPA went. But you guys were out for a while. Thank you very much. You did a good job. I appreciate it.

APPLAUSE

MR. CORDARO:

I just want to make a couple comments. We don't want to dominate this as a committee. We want to give the public time to talk. Just from something from my own experience having been in the business for forty years, I was responsible for re-writing the Emergency Manuals after Gloria. So I can take pride of authorship and what came out after Gloria. And I think, from what I read in the newspapers anyway, they dusted those off and used elements of that plan to decentralize the approach, the restoration. And I applaud them for that.

The only thing that concerns me is that if they recognize that they had to go to a decentralized approach, they should have drilled that earlier or investigated that or explored that or worked that much earlier in the game than just at the eleventh hour, pulling those off the shelf and using them. But I know having been in the business for forty years and having fought more than 20 of these kind of storms including tornadoes and ice storms, it's a very difficult time. There's no clear answer to it. It overwhelms the best prepared utilities in the world. No amount of tree trimming can ever prevent the damage that they cause because all -- total trees come down. It's not just limbs that fall; total trees. And especially with the wet ground we had. It made that much more easy to happen. But you can never do enough in a storm.

And all I would pass onto LIPA is to read some of the lessons learned from Gloria and that's in the manuals that actually echo a lot of the criticisms which have been coming out the last few days. The biggest problem during Gloria was communication also. And the company LILCO at the time had to do a lot of work to try to dust off its communications plans and improve its communication plans. And lo and behold that's the major criticism today. And in my experience in dealing with storms in other states, this was always the concern of the public. You know, they want to know when am I going to be restored. They want information. And it's a very difficult thing for the utility to provide real time data to the customers as to when they could specifically be restored.

I want to thank you for your comments and appreciate your being here tonight. And we hope that in future public hearings that we have that you also participate.

MR. SHAND:

Thank you. And to Shelly's comment, we try to participate whenever we can. If there's a way to shorten these outages, do better, we're certainly willing to look at that and participate. And if I can be -- half my staff is here and organization, and if we can be of any help during the process, we'd love to help you.

MR. GORMAN:

I have a question.

MR. CORDARO:

Joe.

MR. SCHROEDER:

Just a point of clarification. I'm a former utility employee. I was trained to do survey work. I'm also a fire chief and was out extensively during and after the storm. I know that there were survey crews out there because I know people who are still in the company who were out doing survey. But personally and throughout the neighboring departments that I deal with, we did not see a single survey crew. I think largely that may be due to the fact that employees are using their own personal vehicles and there are no markings on those vehicles. And I can't identify the survey screw if they are out there in fact.

But I did not see anybody out there during survey. And I think that this was a problem we had during the March storm a year ago. And I thought that was going to be addressed. It doesn't appear to have been. I'm wondering from your perspective are there the same number of employees remaining within the company, the combined resources available to do the kind of survey that was done even ten years ago? Or are we -- I know we're going through a reorganization at Grid. Are we suffering from lack of staffing?

MR. SHAND:

Well, as you know the people who typically do the survey are generation, gas, some of the ancillary; not the electric groups because they're more focused on putting the wires up and that goes back to -- I started in '73 with the ice storm in '73, Matt probably remembers, so it goes back a long time. That's the same process we've used all along. Is some of those numbers down? A little bit. But I think that two-thirds of the numbers that supported the storm were in support type organizations whether that be survey or logistics or store room warehouse. I mean an awful lot of people contribute to the effort, like I said. About 7500, the largest ever.

You're right. The survey's not out there in marked vehicles. There's not enough vehicles to go around, because you know they get many people out there and there is quite a few people. When we go to the subs, the sacs, the asacs, the manual, who knows the language. But they do drill a couple of times a year and try to get those people in there so there's a real feel. But like I said, with all the wires down, all the damage done, you got to find the place to start and start putting it back together.

And I think what I didn't mention, I should mention before I sit down, is that through the entire process of the 7500 people, the -- nobody was seriously hurt. There were eleven injuries, very minor injuries. That would happen any day. And I think that's something we all need to be thankful for.

MR. SCHROEDER:

Just one other point of clarification. In terms of the decentralized control having -- the sacs having

control over their substation area, how much of a balance was there in that? Because I'm hearing different things from different people who were involved.

MR. SHAND:

How many subs were actually -- in local control compared to --

MR. SCHROEDER:

I know it varied throughout the repair process.

MR. SHAND:

I think they started -- I don't know the exact number. But as they cleaned up areas and did their survey and got some of the subs back, whether that be the trips from the breakers or transmission lines to feed the subs, they would leave those subs and bring those resources back to more central command. But I can't give you the exact number.

MR. SCHROEDER:

I just wanted to know the balance. Was it more or less local control or more or less central control?

MR. SHAND:

Well, there was a lot more that weren't in local control. But the major subs -- you know, depending -- there's some very big subs that were in local control, so. But there's an awful lot of subs. And if there was, they weren't in all local control.

MR. CORDARO:

Thank you very much.

MR. GORMAN:

Can I just ask one question about the --

MR. CORDARO:

You can't get elected.

MR. GORMAN:

I know. Just a quick question. And this is not really in your province. Has there been any discussion or has your union been involved in any discussion with management about possibly putting GPS systems all over the systems so we know exactly where everything is and we can do a central control?

MR. SHAND:

GPS?

MR. GORMAN:

Put GPS's on all the poles. The pole falls over, light goes off, we know exactly which pole is down.

MR. SCHROEDER:

Well, if I can offer some clarification on that, Fred. The local control has to do more with the way the tickets are written up out in the field by the survey crews. Sometimes there are multiple tickets written up for a single area. And if you don't have -- if you're not intimately familiar with the area, you can have a GPS signal that goes off that tells you there's a problem there. But that doesn't -- that doesn't give you the information on all the damage that has to be repaired there. And, you know, that's a function of survey.

MR. GORMAN:

Respectfully it could. And I'm not going to get into a technical discussion. I just asked whether or

not the union was looking at that.

MR. SHAND:

We do have GPS in the vehicles, and perhaps the phones. But the equipment as far as I know -- but there is real time metering out there. There's demand metering out there.

MR. GORMAN:

Yeah.

MR. SHAND:

That can do things like that and tell you where outages are and --

MR. GORMAN:

It isn't something that, to your knowledge, has really been pursued either.

MR. SHAND:

It's not something they discuss with me.

MR. GORMAN:

Okay. Thank you. That's all I wanted to know. Thank you, sir.

MR. CORDARO:

One more question.

MR. LIKE:

One more. You're aware, are you not, that there are three utilities that are bidding for the Management Service Agreement.

MR. SHAND:

Very aware.

MR. LIKE:

Con Edison, PFC&G and National Grid. Do you have any preference as to which one --

MR. SHAND:

Wow. What do you think, Mark? You listening to this or what?

AUDIENCE:

Can we adjourn?

MR. SHAND:

That's -- that's --

MR. LIKE:

Okay, let me ask a follow-up question. Does it make any difference to you if the LIPA Board were reconstituted as an elected board and that you were dealing with board members who were directly responsible to the ratepayers? They could be all elected or it could be a balance board with elected representatives and appointed representatives. Does that make any difference to you?

MR. SHAND:

My personal perspective is that it should be appointed. That there shouldn't be --

MR. LIKE:

What's the basis for your --

MR. SHAND:

I think the board has to have -- I think if you -- possibly if the board was elected, the cheapest solution would always be the best solution. The response would be there's a cheaper way to do this. Let's do it the cheapest way. And I'm not so sure that's the way --

MR. LIKE:

Well, when it comes my time to make a statement, I think I'll show you that with an appointed board, we have a Shoreham debt which was contracted in 1998, around seven billion. And today it's still almost seven billion. So you as the union member, as an owner and as a ratepayer, are paying the consequences of that. That's the result of an appointed board.

MR. SACKSTEIN:

Don't you wish you hadn't answered that question?

MR. SHAND:

No. He asked me the question. I answered it to the best of my ability. I'm not afraid to answer.

MR. LIKE:

I would assume that just listening to you that your mind is open and that you would listen to the merits of an argument as to whether it should be elected or appointed.

MR. SHAND:

My mind's not closed on anything. But if you ask me my opinion right now, that's my opinion right now. I think some of the decisions they had to make as being the LIPA board have been difficult decisions. I know there's been -- I'm not going to say anything. I'm not going there.

MR. LIKE:

Thank you. Please don't go there.

MR. SHAND:

I answered my question.

MR. CORDARO:

All right. Thank you very much.

MR. SHAND:

You're welcome.

MR. LIKE:

Since we've started, two Legislators have joined us. So I'm going to ask them -- first, Wayne Horsley, if you'd like to say a few words?

LEG. HORSLEY:

Good evening everybody and thank you for convening this tonight. I just wanted to quickly mention a couple of things. One is that I had asked Mr. Hervey to -- the CEO of LIPA to come down here tonight and join us. And because of the storm duties and the problems which he is facing right now, which is we all know are voluminous, that he declined to come down. And I have since asked him to come to the Energy, Economic and Higher Education meeting of October 5th.

So I'm hopeful that you guys, you're welcomed to come down as well that day at two o'clock in the afternoon and ask any questions of Mr. Hervey. He has not given me indication one way or the other at this point whether he'll be down on the 5th, but I'm hopeful. My hope springs eternal; that we can talk to Mr. Hervey about some of the issues in which we're addressing tonight.

If I may, I want to congratulate the men and women of -- who are -- the linemen who were out there during the storm. I think that they worked hard. I think they were out in the street. I know that they did their best. I do have questions about some of the protocols as apparently you do. And some of them go to the issues that -- Fred, your question wasn't so strange about the poles. And the fact is that's just called smart grid. And the smart grid, the electronics are available and they are something that is developable. And I've been hearing from LIPA for just about as many years as I've been following them that they're going to move into the smart grid process. And they haven't as yet. That was not there today -- during the storm. So it's obvious but I think they should be moving in that direction and they've said that they would. But, again, proof is in the action.

MR. GORMAN:

Legislator, I am probably going to ask you and the Legislature because of what happened in Suffolk County to give LIPA the right to cut any tree down that can break a line in order to make it safe for all the people that live here. And I have a lot of trees. And by the way, I vent my trees so the winds blow through them. I have trees that are 14, 15 feet around. And they stayed up and my neighbor's went down on both sides of me because they can be vented.

But forgetting the venting, I mean this is serious stuff. People could have died. Thank God no one died. And, you know, I know you guys did valiantly as you could. There's been a lot of complaints about people -- you know, giving someone a call who's on a respirator, you got two days to get -- go to the hospital or something like that or go to a high school where there's electric to turn on your ventilator, is not exactly the kind of response that makes LIPA itself, or I should say you guys (inaudible) you're there. Somebody sees you, you're the representative. And someone got a phone call and the phone call said "go to Sachem High School and plug your ventilator in", and that was the only response that they got, I mean that's not your fault.

What is so bad about taking out all the trees, you know, that could possibly fall on a line? You simply say, listen, and if someone insists upon planting trees that close to the line, tell them they're going to be responsible for it. You know, half of Long Island going out in respectfully a tropical storm, to me is just -- it's outrageous. I understand Gloria. We've had a lot of storms in between. I'm just shocked, as you said, sir, so many trees fell. And I'm not going to -- you know, it's not the lineman's fault that the tree fell or, whatever but I'm probably going to get up there and --

LEG. HORSLEY:

I'm not sure that was the point I was making but --

MR. GORMAN:

But I mean something's got to be done.

MR. CORDARO:

We got to let the Legislator finish his remarks.

LEG. HORSLEY:

The other issue that I thought was frightening, was that in talking to trustees and others inside the LIPA organization was the comments that they had to sandbag the substations prior to the storm as part of their hardening of the system. And that if we lose -- if we lose the substations, that this could have been tragic. And we could have been out in the dark still today. Because they are that vital in this process in which they have for a storm cleanup. And so literally we're using sandbags. And to me that seems like we should have addressed that issue in the hardening process of the system long before the storm existed. We should make those substation -- if they are so vital to the interest of storm cleanup and keeping the system going, we should be dealing with that issue today and have that as part of the protocol that those substations are safe and are not subject to

falling apart or not operating, which would just have been a tragic problem for everybody.

So there are issues. And I'm hopeful that -- from the number of phone calls that I got in my Legislative office about lines being down on the fences, aluminum fences and being ignored for days on end and so many others, we got to work on that system, that protocol in which we look at that twenty-year-old system. And I think that we're, as Shelly, says, we've got to see what that looks like. And you got to direct that.

And just on another quick issue, involving the MSA, and I know that it's part of your conversation tonight, and how important that is going forward, I have -- and I agree with Irving Like; I think an elected board is appropriate. I think that's something that we should have. Bring in the people for the management of the LIPA system; is good. The question I have, and I know that you're all for municipalization, I have concerns about the pension system, the New York State Pension System, putting those employees on the pension system. I'm not sure that the public is going to accept a growth in the New York State Pension System. And I'm not sure how they fit in in that process. So I'm not sure that -- I'm not convinced at this point that municipalization is -- full municipalization is the way to go for LIPA.

But on the other case -- other hand, because they do have a good union contracts and they've got all their benefits, they should be in place and they should remain as we move to other companies or National Grid, whoever receives the contract. The other issue that I have with this proposal that LIPA's come forward, is I just can't get my hand -- my head around the Servco concept. I don't get it. I hear Mr. Hervey talking about that it's a committee that LIPA's on one side and the company's on the other side. And they can come out of the system and replace it with another -- with the other company, if another company takes over; then I hear you guys talking about as a profit-making -- they have a profit-making mode of operation, the Servco proposition. It just -- I don't get it. And I think that that's got to be explained better to not only myself -- if I don't get it, I know that a lot of other people don't get it. And I've asked them, the trustees, "can you explain this me?" And they go, "yeah, sure I can." And then they start to explain it and then it gets all befuddled and it doesn't any sense; even to them they go, "no, I guess I don't understand it."

MR. SACKSTEIN:

Haven't you ever seen magic before? It's sleight of hand.

MR. CORDARO:

If I can make a comment about the pension system, Legislator.

LEG. HORSLEY:

Yeah, please.

MR. CORDARO:

A full municipalization, first of all, it's possible not to have the workers become public employees. You can contract directly with the union. That's been done elsewhere. And so they can remain --

LEG. HORSLEY:

Is what you're saying, is the full municipalization is not -- is contracting with the union?

MR. CORDARO:

You can. That's one of the options. One of the alternatives.

LEG. HORSLEY:

That's what you're calling for.

MR. SACKSTEIN:

That's what we call quasi-municipalization.

MR. CORDARO:

It's municipalization. But you're hiring the workforce as private contractors, basically working through the union. That's one option. So they don't have to become part of the public system.

LEG. HORSLEY:

Is that municipalization?

MR. CORDARO:

Oh, yes, that's full municipalization.

LEG. HORSLEY:

That may be different.

MR. CORDARO:

The other side of that is that people don't recognize that the state doesn't take on a liability even if they became public employees. The ratepayer pays their pension costs and pays their compensation costs. The taxpayer does not become liable. It doesn't become a state liability. It's a ratepayer liability. As they do right now, the ratepayers right now are compensating National Grid for the cost of the pension and all compensation costs.

LEG. HORSLEY:

What you're saying, then, when I hear you calling for full municipalization, is that municipalization means that they're not going to the State Pension System as it's set up for public employees; that it's going to -- with matching from the state as well as from -- as public employees and so this is --

MR. CORDARO:

There's two options.

LEG. HORSLEY:

That is one of the things you're saying.

MR. CORDARO:

Right. No, I'm saying there's two options.

LEG. HORSLEY:

We can hire the unions and that's municipalization? It just doesn't sound like municipalization. Maybe we should call it something else.

MR. CORDARO:

No, it is. It is. I know there's other models in the country where they do it the same exact way.

LEG. HORSLEY:

Okay. I think there's a confusion over what you're calling for when you say -- when we talk of it as municipalization. That's all my point is. I think that's got to be stated.

MR. CORDARO:

Well, you know, my view -- the benefits of municipalization is it dismisses or removes this whole question of accountability, you know. When we were getting storm updates, they were two entities standing up there talking and giving -- at the press conferences. There was National Grid and there was Hervey from LIPA. There should be one person up there. And the buck should stop there. And that should be LIPA. They should make the decisions, take the responsibility. And the only way to do that is if everyone worked for LIPA. And it also eliminates the opportunity or the

temptation to pass the buck and point a finger and have a whipping boy if things don't go entirely right.

LEG. HORSLEY:

That makes a lot of sense to me. Could you spell that out so that I and others could say if this is what the Legislature's recommendation is, is municipalization, then this is what municipalization means; because to me it's muddled.

MR. SACKSTEIN:

But it also means when -- that the folks who will be running LIPA -- you got to do a little house cleaning over there. You got to get rid of some of the folks that we consider to be hangers-on, the folks who sort of cloud the issue and make LIPA like look the energy world's equivalent of Off Track Betting. You know, it's a place to go. You need to put real utility people in there who know how to run the utility. And we've never gone that far because we've never run it like a utility.

LEG. HORSLEY:

Your recommendation is the best that we can do for the ratepayers; and that should be your recommendation.

MR. SACKSTEIN:

And I've had this conversation with Bob now; probably goes back three, four years already at a minimum. And I'd love to have that conversation privately and see what his -- what he believes to be the pros and the cons just as well. I think it's real important to hear from the folks who are going to be either in charge or not in charge. I mean, you know, I just think that from my perspective, I like working with these people. I'm comfortable with these people. I don't need to pay --

LEG. HORSLEY:

As am I.

MR. SACKSTEIN:

I don't have to pay to VIG to a National Grid to administrate these people. And ultimately we all pay for it. So, you know, that's what we've seen. And Bob knows -- Bob knows where I'm coming from.

LEG. HORSLEY:

And, gentlemen, thank you for your services.

MR. CORDARO:

Thank you very much, Legislator.

We have one more Legislator. Legislator Stern, would you like to speak, say a few words?

LEG. STERN:

Good evening everyone. And, yes, thank you to all of you for your service. I'm Vice Chairman of the Economic Development and Energy Committee. Legislator Horsley serves as the Chairman. But I am the Chairman of the Veterans and Seniors Committee in the Legislature. I just want to read a brief statement that I thought was important, a specific issue to raise for your consideration, to let everybody know that it remains an issue and an issue that we're going to be dealing with the Veterans and Seniors Committee of the Legislature going forward.

But I was dismayed to speak with two nursing homes, after Irene, that had to rely on backup generators for four days in the aftermath. St. John, the nursing home, was the luckier of the two as their backup generators lasted through the four days that they were left powerless. They didn't

have to evacuate. However, to have a nursing home, which is officially on the LIPA top priority list to remain off the grid for that amount of time, I think all of us would agree is unacceptable.

The more appalling example of LIPA's ineffectiveness was Sunrise Manor Nursing Home. After four days without power, Sunrise Manor was forced to evacuate several of their residents. An administrator from Sunrise Manor had actually been scheduled to speak before our Committee to talk about LIPA's response, the lead-up to Irene and what was going on afterwards, the lack of communication and where they were at. Unfortunately she was not able to attend. She was forced to cancel because she was called back to supervise the evacuation of her residents. So in speaking with the administrator before and after the evacuation, I was disappointed -- was really frustrating to hear her talk about the ongoing lack of communication that LIPA had with her and her facility.

I went for a while without power myself so I understand the -- being without power for days. But again I'm sure we would all agree that our most vulnerable neighbors -- it's not just an inconvenience but it could quite literally be a matter of life and death. That's why I'm calling for an investigation as to why these two facilities were off LIPA's grid for over 100 hours, and going to be calling for LIPA to come before the Veterans and Seniors Committee of the Legislature as part of that ongoing investigation to answer those questions.

MR. SACKSTEIN:

Legislator Stern, if I might, I know you came in a little bit later. I said there are three moving parts. There's probably thousands. But the three things that I think are very important is there's a LIPA, there's a National Grid and there's the workforce representative here today. LIPA didn't blow this thing. You know, the public isn't really as aware as they should be that when they get a bill from LIPA, it's not sent by LIPA, it comes from Grid. I'm not excusing anything that happened; really not. But at the same time, when the lights go off, it's not LIPA because it's under a Management Services agreement. It's not LIPA. So they keep getting painted as the bad people in this thing. And I said before, they don't do a good job because they're not utility people. So something has to be fixed there.

But to tar them with the brush that really belongs to Grid, and it does, I think is inappropriate. And what it might do -- I'm not saying you're saying that, it sounds that way but it may not be the case. But the general public feels that that's the case. Everybody points at LIPA. And they got 100 some odd people. And frankly they don't do much. They don't do much. So, you know, that's something that needs to be looked at. We got to fix the LIPA, but not throw the baby out with the bath water.

LEG. STERN:

And I certainly understand the structure. But I think the frustration there is the frustration that everybody shares and that is not just the lack of communication but these two particular circumstances; the lack of communication, which goes beyond mere inconvenience, which really does pose an ongoing threat. And I think that's the important point that I wanted to make.

MR. SACKSTEIN:

You know, when I was talking to Wayne earlier in the week, I said, you know, we're inviting Hervey to be here. Why aren't we inviting Grid? Those are the folks you want to bring before your Committee. You want to bring the company that's actually responsible for what took place or didn't take place. You should extend your invitation and investigation to National Grid. That's important.

MR. CORDARO:

I disagree with that. I respectfully disagree with that. LIPA has the responsibility. You write your check out to LIPA. LIPA contracts for these services using money that the ratepayer provides. They have the responsibility. The buck has to stop there. Now it's somewhat obscured by these cockamamie structural arrangements that they have and these contracts, which is why I'm an

advocate of municipalization where responsibility is clear and accountability is clear. But LIPA has the responsibility under state law. It is the authority responsible for providing these services and it makes the decisions.

If Grid isn't doing its job, it should go and find someone else to do the job, you know, give the contract to someone else. But a lot of what's happened has been perhaps LIPA's shortsightedness in overseeing and monitoring and auditing Grid. So things like two nursing homes don't stay out of power for a hundred hours. But, you know, the responsibility is there. We got to focus there. What we can do and hopefully what LIPA does in considering restructuring, is remove all the questions of who's responsible for what. And let's have, you know, a responsible party that's clearly identifiable to the public.

MR. LIKE:

Let me give another example of what I consider to be LIPA's irresponsibility. In 1998 when LIPA was created, it entered into a contract with Keyspan in writing. The contract provided that Keyspan would assume responsibility for cleaning up all the manufactured gas plants. Keyspan signed a consent order in September of 1999 with the DEC to clean up a number of the plants. I happen to know Bay Shore and Hempstead, the worst, were the subject of that consent order. They did nothing physically to clean up until they were sued. LIPA did nothing to enforce the liability of Keyspan and National Grid as its successor to clean up. Okay? A contractual liability back in 1998, consent order in 1999, nothing consequential done, I believe, until the year 2006, 2007, requiring the lawsuit.

And then in that lawsuit Keyspan refused to disclose 8,200 documents claiming that they were privileged against disclosure. LIPA said nothing about saying yes, you ought to disclose all those internal communications because they will indicate the history of the manufactured gas plant problem.

Now the folks here are union members. And I have no complaint against the union. I attribute the fault to the management as exercised by the LIPA board. The members here are ratepayers, they're property owners. If you have cancer causing contaminants, which is what the MTV's discharging into the environment, then their health is at risk. Okay? So it becomes important to place the responsibility on the LIPA board. And the reason that I'm in favor of an elected board, and I'll get into that further at some length later on this evening, is because the elected board would then be directly responsible to everybody here with respect to their rates, with respect to their health, with respect to their safety.

MR. GORMAN:

We're not in a position at this time as a board collectively agreeing on everything or in a position to give you an in-depth report. When we are, I assure you everyone in this room will understand some of the games that are played by National Grid because we're looking into things, we're investigating things. We're looking at actions that have taken place, we are looking at bonusing structures and we're not see everything that would make you very happy. Now that's going to be very important and that's why we're asking for time with the Brattle Report to review it. We've also -- I should say one of our members here has found at least \$30 million worth of problems with that report. There's a lot to be done before we can honestly tell you what, when, where and why.

Now the difference between an elected board, and one of the things that we here have to discuss because if you're going to have an elected board, I don't want anyone that's going to run for that board to have any restrictions on them that you don't have to run for your position or the Governor doesn't have or the President of the United States doesn't have. If they want to have experts, I agree. Then you should have elected officials. And if it's the Governor or whatever, let him select a board. If you're dissatisfied with his board because he doesn't have enough engineers, send him 10,000 letters; he'll get you all the engineers you want. You got one or the other.

So we have a lot to really get organized where we can give you a clear, honest, concise statement why we like this, why we don't like this. You know, when you talk about whether or not you have a service company coming in there with certain expertise, you know -- hey, you got a Water Authority. And it's working under an executive that has no idea how it really operates, does it? Is Steve an expert on water? You know, you have a Governor. Is he really an expert on prisons? I mean we can go on and on and on as to what has to be done. But what we have to -- by the way, government is your problem. The LIPA law itself is horrid. That is the reason we're in this. So politically corrupt. And I mean I got state senators I really like and respect, that I think that when we're done here, we're probably going to be asking the Legislature to march with us and tell them no way are you going to run a plant for \$15 million in taxes for 15 days a year. And you're afraid to run it any more because it's going to kill people.

I mean that's the kind of stuff that we got to get rid of. I don't want to sit here and argue about a Management Service Agreement, which is 2 percent of the rate. I certainly don't care much about employees that are -- this is the smallest employee portion of any industry I know. One percent, one-and-a-half percent is payroll? You have some serious problems. You got to get into how we do our energy. You got to change the law. Why here on Long Island do we have to have these dinosaur plants that are killing people? That are costing us a fortune? We don't need them, we don't use them. We're required by laws that should have no effect on us because we're an Island with thermal inversions and that crap comes sneaking in our windows and into our children's lungs.

So, I mean it's so much to get to you. And we have to do that effectively. There's a lot more than just a service agreement, who goes here, who goes there. There's a lot, you know, that has to really -- I promise you that when we're done, we'll give you a concise report. I want to see our rates drop by 30 or 40 percent. That means get rid of the PILOTS. Now that's politically impossible. Everyone in this room is going to tell me it can't be done. But you got to get rid of those PILOTS. All of them. You got to get rid of those gas dinosaur plants that are really not doing anyone any good. You got to find an easier way to do energy. You got to get control -- more control over your energy prices. And if that's means new management services agreements -- do you understand what I'm saying? It's just so complicated that if we're going to be able to bring this down to three or four pages in an executive report that everyone's going to understand, it's going to be much more vast than these one or two little subjects.

MR. CORDARO:

Legislator Stern, I don't want to keep you up there forever. But what I want to do is applaud and compliment you for coming out on Monday evening to represent the interest of your constituents. Your remarks are very, very valid; very, very important. And they need to be followed up by LIPA. So I want to thank you very much for coming.

LEG. STERN:

Thank you for your commitment and all of the hard work and hard work to come. Thank you.

MR. SACKSTEIN:

Next is Charles Hersh.

MR. HERSH:

Okay. Good evening. I'm Charles Hersh. I'm a retired electrical engineer. I'll say something briefly. I don't blame Grid and LIPA for this storm Hurricane Irene. That was the worst thing since Hurricane Gloria. The only thing I'll say is in the future we need to harden our distribution system because the next big storm will occur a lot sooner than 30 years. We have global warming. And we really need to work on that.

Now, the thing I am really criticizing is those three things that Michael Hervey said that we're going

on for over ten years. The PILOTS are bad, the Shoreham debt is bad. And if I had to pick the worst one, it's the way National Grid wastes fuel. That is by far the worst thing. About half your bill is from fuel. And you have major plants that are around 30% efficient that could be doubled. And I think that National Grid has no interest at all in doing that. They have no interest in improving their system. Because they're the same guys who sell us the gas. And so they're perfectly happy to pass on these expenses and let the ratepayers pay for it, and they don't want to change. Why should they make investments to lower their profits? And something has to be done about this.

You know, I don't have a problem with a public utility that makes a profit and passes on reasonable costs as long as they are efficient. That's not National Grid. Not here. Not when they have these old PILOT plants. And if they were to re-power them, it would actually reduce the rates. The fuel savings would exceed the finance costs. And so you'd be a lot better off. It has to be done.

One thing which annoyed me is those Shoreham agreements to shut down that plant. I was speaking to one of the trustees, Dave Colon. And I brought it up. *You can't do re-powering, can you?* He says, "no, I can't do it. We can't because of the old Shoreham agreements."

This is outrageous. You know, I think the ratepayers deserve better than that. We're throwing money -- and it's not good for the environment either. How can LIPA tell people to be more efficient in how they use electricity when they're not efficient in how they produce it?

I'm telling you, I'm angry about all this. I've been talking about re-powering to LIPA for years. And nothing has been done. Richard Kessel said he'd do it; he didn't do it. Kevin Law said he'd do it; he didn't do it. And no one's going to do it. This is outrageous. Well, I had my say.

MR. GORMAN:

Thank you.

MR. CORDARO:

Thank you, Charles. Alice, do you want to take a chance? It's Alice T. Cone, C-o-n-e.

MS. CONE:

Good evening everyone. I'm Alice T. Cone. I'm President of the Belmont Lake Civic Association. And I represent 1,200 families and about 4,000 voters. And the coordination and the quality of service that we received in the northwest section left a lot to be desired. We had one street where an electrical wire burned for 30 hours. We are forever indebted to Suffolk County Police, which we have a good relationship with. Every shift stayed there until LIPA was able to come and put out the fire. The street became so hot that some of the neighbors' cesspools bubbled. The pole -- we have pictures where the poles literally were on fire.

But one of things I would like you gentlemen to look at is I've been out here 47 years. Okay? Same house. We have to look at the age of our structures. We have to update. We have a substation that I have to call LIPA to get the grass cut because it takes away from the value of the community. And like I told them, if it was in Port Jefferson, you'd be planting flowers. Okay? It happens to be on Straight Path, which is considered West Babylon.

We have had issues where I called. I was in Charleston, South Carolina at the time of the outage but my husband was home. And when I called, they said, well, he's a diabetic so he's on insulin four times a day. I can tell you where neighbors are on respirators, stomach pumps, etcetera. They did not receive service. So when I called and they said no electric, gas pumps aren't running, so I did what I do best: I started with my US representative and I worked down to the Town. And by Wednesday my daughter called. She said it's black in North Babylon. They -- they're in our communities. But the quality of services, the money that you take out of the community is

ridiculous. You know there's an old saying, we pay for everything, but we don't get everything we pay for.

So I would suggest to you, gentlemen, that you look at updating the system. I think with the Irene -- with this hurricane, you should be able to identify the areas, the areas that were out and how long. That needs to be looked at. To me this is as important as Homeland Security. Why can't we apply for federal funds to update the systems in our area? Now, I was not aware that LIPA was contracting with National Grid. But National Grid is a private making, money-making company. I had contacted them just to run gas lines to our area. And it came out to like \$23,000 per house.

And as far as a board, I am tired of elected officials appointing people to political plums, okay, rewarding them. And they don't know a darn thing about running electric or running any company. Those boards need to be elected. We the people should have a say. And that's all I have to say. Thank you.

MR. GORMAN:

Thank you.

MR. CORDARO:

Thank you. You say said something about the critical care system. And it cued me into making a comment about that. I wanted to say something about that for some time. LIPA oversells the critical care list, registering as a critical care customer. Utilities across the country are aware that indeed you need to register as a critical care customer. But the main reason for that is so that you're identified and that the social agencies become aware that when the power is out, they have got to take some action to deal with a critical care customer. In many cases you cannot guarantee as a utility that you're going to honor preferential basis, be in a position to restore the power to that critical care customer. Because they may be in the middle of a lot of damage than it's almost impossible to do that, to single them out and to restore them to service.

So I think what is needed in the spirit of full communication and making the public aware is to educate them on what the critical care list is and how it works. And that you cannot -- if you're on that list, you cannot assume that LIPA's going to show up within minutes of an outage and restore service as much you may need it from a life-sustaining basis. But that it does single you out. It does give you some degree of preference if LIPA had to make a decision between restoring one side of the street versus the other, you know, they would take that into account. But it's main utility is to notify the social agencies, the social service agencies that there's people who need emergency care and that they've got to deal with it.

MS. CONE:

Sir, in my community, the average yearly income is over \$85,000. So you don't fall under the social agencies. Unfortunately or fortunately I'm a retired Director of the State University of New York. My husband is a retired policeman. I wouldn't qualify for social agency if it came up and knocked on my door. I live with 1200 families. We're the oldest, African American organization on Long Island with one of the highest cost of living. I can take you down the street. There's is \$100,000 here, 200,000 there. We don't qualify. So, therefore, we're lost in the shuffle. Okay? So as far as social agency, I couldn't get a social agency to drive me to a senior citizens center.

MR. CORDARO:

I think you're misunderstanding what I meant by -- by social, it's a broad category. I mean the Red Cross, I mean police emergency. I don't mean that you have to qualify for social services or welfare services or anything of that nature. That's what I meant by the term social agencies or social services; organizations that are there to function in an emergency to deal with public -- the public crisis irrespective of wealth or location or connection. And that's part of their charter.

MS. CONE:

Unfortunately -- let me tell you about my community. We're in the northwest section of North Babylon. The school board elections -- I vote in North Babylon. For the library election, I vote in North Babylon. For the political elections, our vote is counted as part of Wyandanch. Okay? So we're sort of lost. Wyandanch benefits from our vote because our needs are different. I'm not looking for affordable housing or jobs, except for the children who graduated from college.

What we are looking for is quality of life. And these are the issues that I address as President of the Civics. We look for -- I want my streets cleaned, I like to see Suffolk County Police drive through at least twice a day, issues like that. Okay? So we're sort of a lost community that nobody, you know, they forget we exist except if they want to run for something when they grow up.

MR. GORMAN:

Miss Cone, could I ask you a question about the damage in your neighborhood?

MS. CONE:

Yes.

MR. GORMAN:

Outside of losing your power, poles being taken out by the trees, did you or your neighbors experience any damage to your houses, roofs, you know, that were blown away or --

MS. CONE:

We did have some neighbors where the trees fell on their home. And the roofs were damaged. But as a whole, mostly it was fallen trees and getting the Town of Babylon who's responsible for picking up the trees to come over and do their job. Okay? But basically if the tree fell on the house well, you call your homeowner's insurance.

MR. GORMAN:

Right. So, I know that in my neighborhood, I don't know anyone who lost a lawn chair, but trees went down all over the place. Like yourself, we lost power. I think -- personally, you know, and this is new and we really haven't studied this so we're not really expert, we don't have all the information on the storm. It's just seems to me that there's some factor I can't wrap my head around now as to why nobody I know even lost a lawn chair. And yet I don't even know of one broken window, honestly, in my own neighborhood. And at the same time these trees took out one pole after another after another after another. To me it almost seems like the problem itself was with the transmission system.

Now, I'm not saying that anybody did anything wrong because I don't know why we had such damage to the transmission system, but little damage to other areas. Our storm drains in my Town of Smithtown, they worked fine. You know, the Town got out there, they cleaned everything out, they were ready for it. And we didn't experience the heavy flooding that we would normally experience from the heavy rain storm because of that preparedness. So I just, you know, I don't have roads that buckled up, I don't have any problem that I'm aware of.

MS. CONE:

Most of it was the trees. People, I know, did put away -- my husband put away all the lawn chairs, took everything off the deck. So basically I lost a tree; couple of trees. But other than that, there was no physical damage to the buildings where they collapsed.

MR. GORMAN:

Yeah, because it was a tropical storm. It wasn't even really a hurricane. I remember in Gloria where literally you went down my block, there wasn't a roof to find. And if you had a roof, it was

your neighbor's roof yesterday. Anyhow, I thank you very much. I just wanted to know if you experienced the same thing.

MS. CONE:

Well, again, like I said, I'd seriously look at updating. Because our infrastructure, like I said, I've been out there 47 years. And I remember when it was dirt roads. And these lines and things, they need to be updated.

MR. GORMAN:

If you go to the oversight website, there's a lot of information from general people of things that are going on that's reported. You might find it very, very helpful towards you. And it'll give you an idea where we're going.

MS. CONE:

Okay.

MR. GORMAN:

Not where we are. We're still going forward.

MS. CONE:

All right.

MR. SACKSTEIN:

Thank you. That's it. Everybody gives up?

MR. CORDARO:

Is there someone who wished to speak who didn't sign up? Okay, with that I'm going to ask if there are members of the board who want to make some remarks. Irving?

MR. LIKE:

If you've been reading the newspapers as I have, you might have wondered who the customers hate more: LIPA or Keyspan National Grid. And that reminds me of a story I told recently at another meeting similar to this, about a fellow who was hated by everybody. And when he died, he was detested. When he died, at the funeral parlor the Rabbi asked the congregation, he said to the congregation, "we can't let him go to his final resting place without somebody saying something good about him." And there was silence and a voice in the back said "his brother was worse."

LAUGHTER

Well, that's the situation we're confronted with right now. You've heard grievances with respect to LIPA. You've heard grievances with respect to National Grid.

My own position as a member of this committee is to call upon the Governor to request that LIPA's board delay its decision regarding the award of a long term management service agreement. The Governor should call for immediate legislation, reconstituting the LIPA board so that its future decisions are more transparent and the directives are more directly accountable to and reflect the interest of the ratepayers.

Now, here's the important part of it. A reconstituted LIPA board, and not the present appointed board, should make the decision ultimately whether to enter into a new management service agreement and who to give it to. The elected or reconstituted LIPA board should make the decision whether to proceed to full municipalization and whether LIPA should become subject to public service review.

Now, my own personal view, which I have been pressing our committee members and will press the Suffolk County Legislature to support, is that in addition to delaying the decision with respect to the management service agreement, that LIPA should impose as a first high priority condition, in order to get the expert financial consultants through a request for proposals, process; and that the people, the respondents who respond should formulate a financial plan satisfactory to LIPA for the accelerated reduction and retirement of the LIPA debt, which is nearly seven billion dollars and has not been materially reduced since 1998.

The financial plans should include provisions for the earliest possible retirement of the Shoreham settlement surcharge on Suffolk County ratepayers. I'm not sure you realize this, but every year you pay your ratepayer bill, if you are a Suffolk County ratepayer, you are paying an extra surcharge in comparison to the Nassau County and the Far Rockaway part of the service area. And that extra surcharge was created to pay for the Shoreham settlement agreement.

The second thing that I would impose as a condition is that the LIPA consummate a settlement that it made with the County of Suffolk in 2007. That settlement was signed by Mr. Kessel and it settled the litigation that the County had against LIPA relating to the Shoreham settlement agreement. Under that agreement Kessel agreed to pay or to provide benefits to Suffolk County ratepayers in the form of energy conservation, renewables and so forth whose benefits -- whose valuation was estimated to be 18 million bucks. Kessel agreed. He agreed at the Suffolk County Legislature. I was present. The entire staff of LIPA was present. Hands were shook. It was agreed.

What happened is he went back to the LIPA board. And for some reason, which to this day we don't understand, the LIPA board refused to approve the agreement that its own chairman agreed to in person with the County Executive of this County. Now, what's strange is that the LIPA board stood by and did nothing with a number of other agreements that Mr. Kessel entered into, which were damaging to Suffolk ratepayers. For example, under the Shoreham settlement agreement, which was signed in January of 2000, there was an agreement specifying the total amount of rebates and credits that were to be given to Nassau County and Suffolk County relating to the settlement of the Shoreham tax judgement.

What happened is that Mr. Kessel made a separate side agreement with Nassau County to give them another 25 million bucks as an additional rebate. He also agreed that 25 million more, which had been earmarked for clean energy programs for Nassau County would be used instead to reduce Nassau County's budget deficit. He knew about that. He knew that the money was not going to be used for clean energy; that it was going to be used to reduce their deficit. So the effect of this is that Nassau County got 50 million bucks in unauthorized payments. And the LIPA board had nothing to say about it even though they knew that he was giving this money to Nassau County.

Now what happened afterwards is that when the bonds were sold by LIPA to pay for the settlement, LIPA discovered through discovery in the lawsuit that the County brought, that the amount of money that was funded through the sale of bonds was not enough to cover the authorized expenditures and the additional 25 million for Nassau County, which means that the prospectus that was handed to the bondholders contained false and misleading statements. Because if you read the prospectus, you would believe that the proceeds of the bonds were sufficient to pay what they said it was going to be used for.

So what did LIPA do at that point? When they returned the transcript of the deposition, the sworn deposition, they amended the testimony to say that they did not use the principal or the bonds, but they used the investment earnings on the bonds. In other words, they took the principal of the bonds, they went out and they bought an agreement with the Bank of America to pay them interest on the bond proceeds over a period of time. And they said that was the interest earnings that they used to make the payment. It was a three-year agreement. And they bought an agreement, an investment agreement with the Bank of America, spent \$224 million of the proceeds to buy that

agreement.

It turned out, however, that the year that -- in the year that they gave Nassau County the additional unauthorized 25 million, they didn't have enough investment earnings. So they accumulated the investment earnings over a three-year period and in the year 2003 they made an entry on their books back crediting 18 million, which is all they earned in three years, they back credit the 18 million to the 2000 year period and they took \$6.7 million out of their cash reserves in order to make it up. Our consultant said that this was cooking the books.

Now, I bring this up simply to show that the LIPA board sat by acquiescing in all of this monkey business that have damaged the Suffolk County ratepayers. And this is part of the reason why we have the kind of a surcharge that you're paying. So one of the things that I want to see happen is that if LIPA is allowed to continue and to have an agreement of the sort they're looking for, they should be obligated to live up to the \$18 million settlement that they entered in the year 2007.

Now, I will also impose a condition on National Grid. As I pointed out earlier, the manufactured gas plants that Keyspan acquired and passed onto National Grid when they merged, those plants discharge into the environment contaminants that are considered to be cancer causing. That means that anybody who lives on the plume, and in Bay Shore we have four plumes of contamination, which continue in one instance over a mile covering hundreds of properties, discharging ultimately into Lawrence Creek in Great South Bay -- there are four of them. The longest one is over a mile. There are hundreds of homes that are right on these plumes. So what has National Grid done? What has Keyspan done? They presented a risk -- they put the health of those people who are on the plume at risk of getting diseases from the exposure.

Number two, if you live on a plume, you try to get a mortgage on your property, or you try to sell that property, the purchaser or the bank will discount the value to take into the account the fact that the property is stigmatized by contamination.

Now the last thing, and to some people this is the most unconscionable of all, guess who was paying the cost of the cleanup? The ratepayers. Even though the company caused the pollution, they persuaded the PSE despite the objection of Suffolk County, and Mr. Horsley played a very important role, and the County coming in and saying this is not fair that you allocate the entire cost to the ratepayers, the stockholders should bear some part of it. The PSE said nothing doing. That means we, the ratepayers, are paying the cost of the contamination.

So think of it. Your health is at risk, your property is damaged and you're paying the cost. That's National Grid. I'm saying if National Grid is going to be considered as a potential recipient of a manufactured -- of a management service agreement, they should be required to clean up their act. They should be required to make sure that the ratepayers, and you are all ratepayers, either electric ratepayers or gas ratepayers, you are all taxpayers. Okay? Part of any condition should be that they clean up their act.

Now, you can be helpful to this point of view if you as union members would join and say to the Governor, "you know what, Governor, it's only fair that these conditions be imposed on anybody who becomes the successful bidder under management service agreement."

MR. CORDARO:

Thank you. Peter Schlusser.

MR. SCHLUSSLER:

Sure. Good evening. Last week the basis for the decision for what I'll call the next structure of LIPA report, the Brattle Report was issued. And I've been taking a close look at this report over the last several days to ensure that whatever option that we choose as ratepayers, whether it be muni

route or whether it be privatization or would be with the Servco, that the facts behind the decision making process are accurate and correct and based upon fact.

Unfortunately, though, when taking a look at this report, there seems to be a fair amount of errors in it which leads me to question the whole process itself as far as the decision making process. It's all well and good that whatever the decision's going to be made is going to be made. And as long as that decision is made upon good, solid information that makes sense, and it's accurate, that's all well and good.

So, for some examples, we have -- I found roughly approximately about \$20 odd million in shortages of salaries that were not included into the calculations of the three options. That \$20 million makes a big difference as far as what our rates are going to be in the future. In addition to that, there are other issues where it actually -- there's an incorrect calculation showing that the -- believe it or not, the muni route would actually be cheaper as a low cost -- the low risk scenario, if you will, which doesn't really make sense. Because when you look at the mid case and the high case, it shows that privatization wins across the board, but Servco would obviously -- or it shows in this report that it would be actually more beneficial. So there's something skewed about those numbers also.

In addition to that, there is a component in here where -- the report itself but actually power point presentation, unfortunately I can't cite it in the documents right now, where there's some economies or scales as far as purchasing power where it indicated that there's a benefit to a privatization model -- a Servco model, 20% cheaper when you purchase goods versus a muni route, which I find quite interesting because the muni route is, you know, the purchase and power of the government, whether it be the federal government or the state government, there's no cheaper alternative. So I'm not sure where that 20% surcharge was indicated as being a negative towards the muni route.

And there's a lot of other little nuances associated with this report. But when you start to add up the numbers, in all sense of the word, they come up to about \$30 odd million. Now, there is a realization out there that every \$30 million equals roughly one cent per kilowatt-hour of what a ratepayer pays. So these monies that I speak of can be rather significant.

October 6th is when the decision's going to be made by the LIPA board of trustees as far as what option is going to be chosen, whether it's going to be one of those three routes. It's highly unlikely the privatization route is going to be chosen. And it's most likely -- it's going to be a Servco; my personal opinion. I have no fact to base that upon. That's all well and good. There's nothing wrong with that except for the fact that we just want facts, good numbers behind the decision making process, which this Brattle Report, the 33 pages, 37 pages that I have here, does not substantiate.

That being said, I've written another FOIL request to LIPA the other day to ask for a little bit more substantiation of where their numbers come from so that we know we have a fair level playing field for what decision to make and process is going to be. That's all we're asking for, is just give us a fair playing field here. And wherever the numbers go, they go. But right now what I'm looking at roughly give or take \$30 million in anomalies, that's telling me something's wrong. Thank you.

MR. CORDARO:

Joe.

MR. SCHROEDER:

Just to add briefly to Pete's comments, it's not the nominal \$30 million value that's the sticking point here; it's the irregularities and the inconsistencies within the report. The limited information that's available in the report, and the fact that as a local economy, we simply can't sustain more of the same of what we've been living with. We won't have the ratepayer base to sustain the workforce if

we can't remedy some of the major issues that are at stake here. And this 33-page report doesn't provide enough information on which to base an opinion. And some of the information is questionable to the point where the assumptions aren't questioned.

And we don't have enough information within the body of the report to even determine fully what the assumptions are. And if we can't do that based on our look at this, I question whether the board -- LIPA can do that. And I don't see why they need to be rushing into making a decision here. There ought to be more collaboration on evaluating the direction here and more uniform agreement on that direction going forward. We're all going to live with this. And to me there are more questions here than answers.

MR. CORDARO:

Anybody else want to say something?

MR. GORMAN:

If we're talking to the audience, I'd have something to say. If we're --

MS. FLESHER:

Use the mic.

MR. GORMAN:

I don't need that. If we're talking to the audience I have something to say. None of you are going to have your children living with you if we can't reduce these rates by 20 to 30%. You can't do that without political will. You can complain about the board. You can complain about the service agreement. You can discuss whether you want an elected board or whatever you want. Until you get up to Albany and get rid of that -- the legislation that is in place right now, you can't really get at the money-saving issues. The thing is a mess. It is a political mess. And it's going to take a lot of strength and a lot of courage and a lot of door knocking to get those politicians to realize all their special favors are over.

You know, ma'am, I think it's terrible that the children in your community and people in your community are supporting a one to twelve normal class size in Port Jefferson. That's the normal students. All right? And those people are saying "LaValle, protect me." You know, and I say to them "my, God, those poor children. You got smoke coming in their windows that'll kill them."

We got to really do something. We got to get together as an Island, you know, not just unions, just everybody. Say you know what? We got to stop this crap, we got to get rid of this political crap where one favored group over another favored group creates this convoluted mess. All right? We're stuck. We have laws here that have to do with the rest of the state -- I'm talking about energy laws, laws that, you know, I'm sure that Matt supports. Such as you have to have so many base plants in your own community.

We're an island. We have a thermal invasion. That's murder. And I think things like that have to get stopped and we have to take common sense and we got to get common sense up to Albany in order to make a difference. We're going to write a report. Hopefully by the time we're done, that isn't just going to talk about a management services agreement that may represent one and-a-half. And by the way, it's dirty. All right? If you guys knew what was going on, you'd be talking about it for months. There's a lot of stuff going on there by management who gets bonuses for things that you don't know about and it'll explain a lot of the nonsense that you guys see every single day. That's got to be addressed. I agree with it.

You know, we can talk about -- you know, I understand your concerns. I don't mean to be rude when I say this, but you're one, one-and-a-half percent of the entire budget. That's -- nothing can be done or should be done that has an effect on that. I want to get at those PILOTS. Just imagine,

everybody talks about we should have all sorts of grids, we can do this, we can do that. Well, the reason we can't is because we're in so much debt. Now, if you took the PILOTS and you used them for ten years to pay down that debt, we'd actually be able to really build a terrific grid. You know, and we'd be able to go forward and we wouldn't be bankrupting our kids with a perpetual debt. I mean this whole plans that were put together were not put together for the ratepayers and they certainly weren't put together for the employees. They were put together as political favors. And we got to get that whole mess out.

And yet that's not going to be easy because, you know, you got senators here -- senators from Long Island are probably the most powerful force in the state next to the Governor and perhaps Sheldon Silver. And those are friends. Those are the guys that we have to change their mind. We got to get them about. We got to get to Flanagan who I happen to adore, I agree with him on 99.9% of the issues. But there is no reason that that woman's grandchildren should have to be supporting a one to 12 class in Port Jefferson. And there's no reason that we should have a plant that we pay \$15 million for it; it only runs 15 days and runs at 15 percent or 20 percent at capacity.

We have base plants that aren't base plants. We really use them as peakers. We can get more affordable energy. But all these things are blocked by regulatory things that are affecting all of us. And this is what we have to get to change things. Because I'm very fortunate. I actually have my kids -- three of my kids live on my block. How many of you guys are going to be able say that? Unless we can turn around and get Long Island the control and we can start getting \$100,000 jobs, and in order to do that, as well as getting taxes under control, we have to get energy costs back to where they belong. I don't think there's anyone in the room that doesn't realize that if Shoreham would have been built that we would have had no problems at all and probably have one of the cheapest energy in the state.

So, anyhow, that's where I'm coming from. And I hope that, you know, at the next meeting you'll see a lot -- at the next LIPA meeting, you'll see a lot of citizens very much like yourself. I hope you get together with them, talk to them and work with them. And I thank you for coming.

MR. SACKSTEIN:

I've been offered the opportunity to speak and I'll yield.

MR. CORDARO:

Well, you know, I think we're coming to a conclusion here. I think as a final remark, I want to say that there's a very important decision that's at least reported to be made on October 6 by the LIPA board on their future structure. And there are other events that are going to take place between now and then. I think there's a meeting on September 15, Thursday, at Farmingdale, where there's a public meeting where the public can have input to LIPA relative to that decision.

My opinion, and I think it's shared by many on this committee if not all, is that it would be very irresponsible to make a decision on October 6, such an important decision involving billions and billions of dollars in the future of Long Island on the basis of a report which LIPA paid roughly a million and a half dollars for, which is a 37-page power point presentation with 33 pages of spread sheets attached to it and no linking discussion between the two. I mean coming from the utility business, for a million and a half I expect -- even if it's garbage, I expect at least a few inches of material. That is just not enough of a basis or information or foundation of support for LIPA to move ahead with that decision.

My suggestion is that LIPA put off making the decision as long as possible so that all our concerns and your concerns can be addressed. And that more information can be provided to justify the decision that they will ultimately make. We're looking for at least a 60 day postponement to that decision, if not more. We just can't afford to be wrong this time around.

With that, I'd like -- we have one more comment and I'm going to just say goodnight.

MR. LIKE:

My colleagues have a problem with regard to the completeness and accuracy of the information that's been provided. I have a deeper problem and that really has to do with credibility. And let me give you an example. Everything I say to you is something that I can produce a document that's in evidence obtained in a litigation. Okay? In 2004 LIPA issued an energy plan projecting its operations for the period 2004 to 2013. And buried in the third or fourth volume of their report, they allowed for comments of the public. And one particular individual asked a question about the level of the Shoreham debt.

And this is what he said: In 1990 I read the Shoreham debt was 4 billion. In 1996 I read the Shoreham debt was 5 billion. And just last month I read that the Shoreham debt is now 7 billion. Newspapers keep on operating different figures that keep getting larger. What does the Shoreham debt stand? Where does the Shoreham debt stand?

Now this the response of LIPA in writing: "There is no debt tied specifically to the Shoreham facility." What? You've been hearing about the Shoreham debt cost is what's strangling the ratepayers that's causing the rates to go high. They then go onto to say "LIPA's total debt is about seven billion. Of this amount approximately four billion is equal to the acquisition adjustment associated with LIPA's acquisition of LILCO in 1998."

Now listen to this statement. Because this is why I talk about credibility. LIPA's board of trustees has implemented and accelerated debt retirement plan such that acquisition adjustment related debt will be fully paid off by the year 2013. It's 2011 right now. There ain't no way that they are going to be able based on their own projections to pay off that debt in the year 2013.

Now what does that mean? That means that as long as that Shoreham debt continues on the books, we as Suffolk County ratepayers will be paying the Shoreham surcharge. Now, I call that not just incompleteness but there's something disingenuous and lacking in credibility when public statements of this type can be made. And, again, it's the reason why I'm not satisfied to see the existing LIPA board continue for the next ten years. It's time for a change.

MR. CORDARO:

Shelly, 30 seconds.

MR. SACKSTEIN:

I have re-considered. I'd like to -- I'd like to think that you came here for a reason. I hope that some of the things that we've discussed here are eye-opening to you and have provided some education in terms of what really goes on behind the scenes in this whole process. And if that happened, please come the next time and we'll go further because it's important to all of us. And thank you all for being here tonight.

MR. CORDARO:

Good night. And we will have another meeting. Hopefully you'll come to that.

**THE MEETING CONCLUDED AT 8:52 PM
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